

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

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TAGS: ETRD, ENRG, UR, US

SUBJ: SOVIET COMMENTS ON "NORTH STAR" AND YAKUTIYA LNG
PROJECT

1. TASS COMMERCIAL NEWLETTER OF JUNE 20 CARRIED
REPORT ON SENATE FINANCE COMMITTEE TESTIMONY BY
TENNECO V-P JACK RAY , PROPOSED "NORTH STAR" AND
YAKUTIYA LNG PROJECTS. ACCORDING TO TASS, RAY STATED
THAT EX-IM FINANCING FOR "NORTH STAR" WAS NOT "ESSENTIAL"
SINCE EUROPEAN COUNTRIES WERE IN POSITION SUPPLY
NECESSARY EQUIPMENT. HOWEVER, RAY REPORTEDLY POINTED
OUT THAT ABSENCE OF EX-IM FINANCING WOULD MEAN THAT U.S.
INDUSTRY WORLD LOSE LARGE ORDERS.

2. INTERESTING ASPECT OF TASS REPORT IS THAT IT ALSO
PICKS UP RAY'S COMMENTS ON PRICING ASPECTS OF
"NORTH STAR" NEGOTIATIONS. TASS QUOTES RAY AS
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STATING THAT U.S. COMPANIES INVOLVED ARE OFFERING

60 CENTS PER MILLION BTU, FOB, WHICH EQUIVALENT TO
PRICE OF \$3.60 FOR BARREL OF OIL. ADDING TO THIS
65 CENTS PER MILLION BTU FOR TRANSPORTATION AND
15 CENT PER MILLION BTU FOR STORAGE AND REGASIFICATION,
RAY REPORTED STATED THAT PRICE OF SOVIET GAS WORLD
BE ON APPROXIMATELY SAME LEVEL AS U.S. DOMESTIC GAS
PRICE.

3. COMMENT: ALTHOUGH TASS COMMERCIAL NEWSLETTER IS
AIMED LARGELY AT FOREIGN AUDIENCE, EMBASSY ASSUMES THAT
IT ALSO HAS RELATIVELY LARGE READERSHIP AMONG SOVIET
ECONOMIC OFFICIALS. PUBLICATION OF INFORMATION ON PRICE
NEGOTIATIONS, GIVEN IMPORTANCE OF THIS ASPECT OF "MORTH
STAR" DISCUSSION, IS UNUSUAL STEP. UNFORTUNATELY, TASS
ARTICLE GIVES NO INDICATION OF SOVIET POSITION ON
PRICE QUESTION.
STOESSEL

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